

## Western European Morning Notes

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### Sales desks

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## Company comments

### Befimmo: Taking the less-exciting-but-best route in a difficult market

The company has reported 1H 10/11 results. EPRA earnings per share decreased to €2.27, vs. €2.35 last year and almost exactly in line with consensus (€2.28 per share). The decrease was due to lower top-line rental income as the occupancy rate decreased to 93.9% (from 94.8% at 31December 2010) and due to corporate overhead costs that increased by 10% due to planned expansion of Befimmo's team.

Negative property revaluation slowed down slightly, to €-13m or -0.66% (-0.38% in Q1 and -0.29% in Q2) vs. €-20m last year. Consensus amounted to €-17m. EPRA NAV per share amounted to €60.11. The company said there is an ongoing divide between increasing values for long term let CBD located assets and higher value decreases in the periphery and decentralized locations. The increase in rental vacancies is slowing but there is no recovery yet as companies continue to cut costs. Total vacancy on the Brussels office market still amounts to 11.7%, vs. 11.84% last year.

The company said lease renewals took place in line with last year's estimates. The company continues to look for divestment possibilities for decentralized and peripheral assets as they no longer fit the company's strategy. Furthermore, these markets seem likely to be under continued stress. Most of the company's developments are going ahead as planned. With regard to the €91.1m Liège finance tower, the regional authority will come to a decision in 2011. We believe that it is likely to be successful as the tower is part of a larger area of redevelopment in the city of Liège which includes already completed high profile projects such as the €450m train station and the €250m Médiacité shopping centre as well as adjacent national TV studios.

All in all, Befimmo seems to be doing well in a market that is still difficult and, as a result, looks to move towards even more defensive assets which will improve stability at the cost of the excitement of more upside. However, a real upswing in the Brussels cycle seems less likely so investing in higher risk assets could well lead to stress rather than upside.

**Price: €63.67. Last published: target price: €62.00; recommendation: HOLD**

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